



Published in the

WALL STREET JOURNAL

LIRR Contract to Cost Extra \$226 Million

By Andrew Tangel

July 28, 2014

The Metropolitan Transportation Authority said recent contract agreements with its unions will cost an added \$1 billion through 2016, setting the stage for a debate over how the agency will pay for construction and repairs in coming years.

The MTA—the agency has a \$14 billion annual budget and runs New York City's subway and bus system, two commuter railroads plus bridges and tunnels—will soon hammer out a plan for financing big-ticket projects over the next five years.

But the increased labor costs will further strain the MTA's funding as it tries to figure out to how pay for an expected \$27 billion needed to expand and repair its aging equipment and infrastructure from 2015 to 2019.

The authority also has been finishing the long-stalled Second Avenue subway project, extending the 7 train to Manhattan's West Side and building a Long Island Rail Road station underneath Grand Central Terminal.

Last week, New York state Comptroller Thomas DiNapoli said the authority could face a funding gap of more than \$12 billion to finance its capital plan.

The MTA's steeper labor costs will mean "the hole in the next capital plan is bigger," said Charles Brecher, consulting research director at the Citizens Budget Commission. "If you spend the money on labor, you haven't got it to spend on something else."

Whether the MTA will pay for its capital projects by raising revenue from increasing fares or increased government subsidies remains unclear. A spokeswoman for Gov. Andrew Cuomo declined to comment.

The higher labor costs could reduce the authority's ability to fund capital projects. That is because the MTA plans to pay for the higher employee costs in part with \$80 million a year, starting in 2015, that had been earmarked to finance such projects.

MTA Chairman Thomas Prendergast said Monday it was unclear what projects might be affected. But he suggested the state and city governments might need to contribute more.

"The capital program has a number of stakeholders that need to belly up to the bar and be able to support it, both at a state level and a city level," he said.

While MTA officials have said its recent labor agreements wouldn't result in fare increases beyond those planned next year and 2017, Mr. Prendergast didn't rule out the potential for fare increases to



Published in the

WALL STREET JOURNAL

finance its next capital plan. He said such discussions were premature before the MTA finishes its proposed capital plan and submits it to the state this fall.

"When you get to the point where you have the size of a program outside of what our financial resources are, then that's part of the dialogue...about what finances they can bring to the table, long before we talk about fares," Mr. Prendergast said.

The MTA recently concluded a dispute with a coalition of eight LIRR unions. The July 17 contract agreement that avoided a potentially crippling strike will cost an additional \$226 million through 2016, the MTA said Monday.

The MTA's estimates, released Monday, assume unions representing employees who run the Metro-North Railroad will adopt new contracts with terms similar to the LIRR agreements.

The \$226 million in additional costs stemming from the LIRR settlement come on top of \$801 million in added labor costs through 2016 from an April agreement the MTA struck with the Transport Workers Union Local 100, which represents employees who run New York City's subway and bus system.

The authority had earlier said it aimed to avoid net increases in labor costs as it negotiated the union contracts.

The LIRR agreement provides for 17% in wage increases over 6 ½ years, including retroactive pay going back to 2010. All employees would pay 2% of their regular pay toward their health-care coverage.

New employees would contribute toward their pension for 15 years under the agreement, five years longer than current employees. And new employees would have to wait two more years to reach top pay levels, in a change to so-called wage progressions.

Some 5,400 members of the eight LIRR unions must still ratify the labor agreement, and the MTA board must approve it before it goes into effect.

John Samuelsen, president of the TWU Local 100, said the MTA shouldn't expect transit workers to go without raises so the authority could finance its capital needs. He said MTA needs more reliable revenue sources for its long-term health.

"They need a stable funding source," he said.